

## Message Text

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ORIGIN IO-03

INFO OCT-01 ISO-00 OES-02 NEA-02 /008 R

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DRAFTED BY IO/SCT MR CAVANAUGH  
APPROVED BY IO/SCT MR CAVANAUGH  
OES/SCI HDBENGELSDORF  
NEA/IRN BBMORTON

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R 291841Z APR 75

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C O N F I D E N T I A L STATE 099526

FOLLOWING REPEAT TEHRAN 3872 ACTION SECSTATE INFO ERDA GERMANTOWN  
APR 27

QUOTE

C O N F I D E N T I A L TEHRAN 3872

ERDA FOR FRIEDMAN

OES FOR BENGELSDORF

E.O. 11652: GDS

TAGS: TECH, IR

SUBJ: NEGOTIATIONS ON DRAFT AGREEMENT ON ATOMIC ENERGY

REF: A. TEHRAN 3828 B. STATE 97820

1. SUMMARY. IN CONTINUATION OF CORDIAL ATMOSPHERE, DISCUSSIONS ON NUCLEAR AGREEMENT WERE CONCLUDED WITH ETEMAD ACCEPTING US POSITION THAT REPROCESSING ISSUE SHOULD BE DEALT WITH IN SEPARATE NOTE, BUT CONTINUING TO PRESS HIS POSITION THAT US SHOULD INDICATE FROM THE OUTSET ITS READINESS TO APPROVE REPROCESSING IN IRAN, ON UNDERSTANDING THAT IRAN WOULD MAKE EVERY EFFORT TO ACHIEVE, WITH US ADVICE AND ASSISTANCE, DESIRED MULTI-NATIONAL FRAMEWORK, EVEN IF CONFIDENTIAL

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SUCH FRAMEWORK UNACHIEVABLE. US SUGGESTION TO RECESS DISCUSSIONS AT THIS POINT WAS WELCOMED BY ETEMAD, AS WAS US OFFER TO PROVIDE CLEAN DRAFT AS SOON AS POSSIBLE, INCORPORATING NEW PROVISIONS DEVELOPED DURING DISCUSSIONS. IN SIGNIFICANT REMARK, ETEMAD STATED

THAT, WHILE NEGOTIATIONS SHOULD BE COMPLETED AS SOON AS POSSIBLE, SHAH DOES NOT EXPECT CONCLUSION OF AGREEMENT TO BE TIED IN WITH VISIT, BUT THAT HE IS PREPARED DURING VISIT TO RAISE ANY "MAJOR PROBLEMS" WHICH MIGHT EXIST. END SUMMARY.

2. DISCUSSIONS WITH ETEMAD WERE RENEWED AFTERNOON OF APRIL 27 WITH REVIEW OF DRAFT AND PRESENTATION OF NEW OR MODIFIED ARTICLES AS SUGGESTED IN REF B, WITH FOLLOWING RESULTS.

3. ARTICLE III - ETEMAD CONFIRMED THAT HE PREFERS ARTICLE III WITHOUT ADDITION OF TOPICS LIST.

4. ARTICLE VII, A - ETEMAD ACCEPTED MODIFIED TEXT FOR THIS ARTICLE PROPOSED IN REF B.

5. ARTICLE VII, C - US REPS PRESENTED NEW DRAFT ARTICLE WHICH PROVIDES FOR TRANSFER OF URANIUM ENRICHED UP TO 20 PERCENT U-235 FOR FABRICATION IN IRAN FOR IRANIAN REACTORS OR THIRD COUNTRIES. EFFECT OF THIS APPROACH, WHICH WE RECOGNIZE IS NOT STANDARD PATTERN, IS TO PERMIT TRANSFER IN UNFABRICATED FORM ONLY OF LOW ENRICHED MATERIAL. WITH RELATED CHANGE IN ARTICLE VIII, C, NEW PROVISION SEPARATES FABRICATION OF LOW ENRICHED MATERIAL FROM GENERAL UNDERSTANDING OF LATTER ARTICLE. TEXT FOLLOWS: "ARTICLE VII, C. ENRICHED URANIUM CONTAINING UP TO 20 PER CENT IN THE ISOTOPE U-235 MAY BE ALSO BE TRANSFERRED TO THE IMPERIAL GOVERNMENT OF IRAN OR TO AUTHORIZED PERSONS UNDER ITS JURISDICTION, UNDER SUCH TERMS AND CONDITIONS AS MAY BE AGREED, FOR THE PERFORMANCE IN IRAN OF CONVERSION OR FABRICATION SERVICES, OR BOTH, FOR THE PURPOSES PROVIDED FOR IN ARTICLE VII, A OR FOR SUBSEQUENT TRANSFER TO ANOTHER NATION OR GROUP OF NATIONS IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT. ENRICHED URANIUM TRANSFERRED UNDER THIS PROVISION FOR SUBSEQUENT TRANSFER TO ANOTHER NATION OR GROUP OF NATIONS SHALL NOT BE SUBJECT TO THE LIMITATION OF ARTICLE IX."

6. ARTICLE VIII, B - WHILE NO TEXT PROVIDED, ARTICLE VIII, B REQUIRES MINOR MODIFICATION TO PROVIDE FOR FABRICATION BY ADDITION OF "AND FOR THE ACCOMPLISHMENT OF THE PURPOSES PROVIDED FOR IN CONFIDENTIAL

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ARTICLE VII, C."

7. ARTICLE VIII, C - US REPS PROVIDED FOLLOWING MODIFICATION DESIGNED TO EXEMPT FABRICATION OF LOW ENRICHED URANIUM FROM REQUIREMENT OF THIS ARTICLE: "ARTICLE VIII, C. EXCEPT AS PROVIDED FOR IN ARTICLE VII, C WITH RESPECT TO THE FABRICATION OF ENRICHED URANIUM CONTAINING UP TO 20 PER CENT OF THE ISOTOPE U-235, WHEN ANY SPECIAL NUCLEAR MATERIAL SUBJECT TO ARTICLE X, PARAGRAPH (2) OF THIS AGREEMENT REQUIRES REPROCESSING, FABRICATION OR STORAGE, OR WHEN ANY IRRADIATED FUEL ELEMENTS CONTAINING SUCH MATERIAL ARE TO BE REMOVED FROM A REACTOR AND ARE TO BE ALTERED IN FORM OR CONTENT, SUCH REPROCESSING, FABRICATION, STORAGE OR ALTERNATION SHALL BE PERFORMED IN FACILITIES ACCEPTABLE TO BOTH PARTIES."

8. ETEMAD PLEASED WITH APPROACH IN PRINCIPLE, BUT CONCERNED THAT DRAFT MAY NOT COVER ALL CASES OF LOW ENRICHED FABRICATION; E.G., REFABRICATION OF LOW-ENRICHED URANIUM RECOVERED FROM FUEL ELEMENTS REPROCESSED IN IRAN. HE REQUESTED THAT WE ATTEMPT REDRAFT WHICH WOULD CONFINE EFFECT OF ARTICLE VIII, C TO MATERIALS CONSISTING OF OR CONTAINING HEU, PU, AND U-233, RATHER THAN EXEMPTION FOR LOW-ENRICHED URANIUM. REPS AGREED TO CONSIDER THIS POSSIBILITY FOR NEXT DRAFT.

9. ARTICLE VIII, E - ETEMAD ACCEPTED APPROACH DESCRIBED IN REF A, AS MODIFIED BY REF B, BUT DESPITE FRANK EXPLANATION OF US DIFFICULTIES, HE TOOK EXCEPTION TO CRITERION OF "ADEQUACY" AS BEING OPEN-ENDED IN BOTH DIRECTIONS AND, THUS, TOO UNCERTAIN TO PROVIDE IRAN WITH NECESSARY ASSURANCE OF REASONABLE APPLICATION ON PART OF US. WE RECOGNIZE AND SUPPORT POINT MADE IN REF B, BUT BELIEVE WE MUST CONTINUE TO SEEK FORMULA WHICH WILL MEET ETEMAD'S REQUEST FOR REASONABLY OBJECTIVE STANDARD FOR PHYSICAL SECURITY, WHILE NOT PREJUDICING EXECUTIVE BRANCH POSITION ON PENDING LEGISLATION. WE OFFERED TO RECONSIDER INCLUSION IN ACCOMPANYING NOTE OF SOME LANGUAGE WHICH WOULD RELATE PHYSICAL SECURITY STANDARDS TO THOSE IN US. ETEMAD STATED THIS WOULD BE A SATISFACTORY SOLUTION.

10. ARTICLE IX - WE PROVIDED ETEMAD WITH FOLLOWING REVISED TEXT FOR ARTICLE IX WHICH INCORPORATES CEILING QUANTITY FIGURE REQUESTED IN REF B: "ARTICLE IX, A. THE SEPARATIVE WORK REQUIRED TO PRODUCE THE URANIUM ENRICHED IN THE ISOTOPE U-235 TRANSFERRED UNDER THIS AGREEMENT FROM THE UNITED STATES OF AMERICA TO IRAN FOR POWER  
CONFIDENTIAL

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APPLICATIONS SHALL NOT EXCEED THAT NECESSARY TO SUPPORT THE FUEL CYCLES OF REACTORS HAVING A TOTAL INSTALLED CAPACITY OF 8,000 (10,000) MEGAWATTS ELECTRIC.

B. IN THE EVENT, HOWEVER, THAT IRAN ENTERS INTO AN AGREEMENT OR AGREEMENTS TO INVEST IN URANIUM ENRICHMENT FACILITIES IN THE UNITED STATES, THE QUANTITY OF SEPARATIVE WORK WHICH MAY BE TRANSFERRED UNDER THIS AGREEMENT SHALL BE THAT NECESSARY TO SUPPORT THE FUEL CYCLES OF REACTORS IN IRAN HAVING A TOTAL INSTALLED CAPACITY OF 23,000 MEGAWATTS ELECTRIC; PROVIDED, HOWEVER, THAT THE QUANTITY OF SEPARATIVE WORK SO TRANSFERRED SHALL NOT EXCEED THE AMOUNT OF SEPARATIVE WORK TO WHICH IRAN IS ENTITLED PURSUANT TO SUCH AGREEMENT OR AGREEMENTS FOR INVESTMENT IN URANIUM ENRICHMENT FACILITIES IN THE UNITED STATES."

11. ETEMAD ACCEPTED APPROACH IN PRINCIPLE BUT REQUESTED MINOR MODIFICATION TO PARA B TO REFLECT FACT THAT TOTAL QUANTITY TRANSMISSIBLE SHOULD BE THAT CORRESPONDING TO UEA SHARE PLUS AMOUNT TRANSFERRABLE UNDER ENRICHMENT SERVICES CONTRACTS WITH USG. WE AGREED TO INCORPORATE SUCH LANGUAGE IN NEXT DRAFT. WHILE US REPS APPRECIATE DESIRABILITY OF CEILING FIGURE, WE CONCERNED ETEMAD WILL ULTIMATELY RECOGNIZE THIS APPROACH DEPARTS FROM PRINCIPLE THAT IRAN SHOULD BE ALLOWED TO RECEIVE FULL AMOUNT OF MATERIAL TO WHICH IT

ENTITLED FROM INVESTMENT IN US ENRICHMENT PLANT FOR USE IN IRAN, IN THE EVENT ITS PROGRAM SHOULD INCREASE TO THIS CAPACITY WITHOUT ADDED UNCERTAINTY OF NEED TO AMEND AGREEMENT. CONTINGENT EFFORTS SHOULD BE MADE TO DRAFT APPROPRIATE PROVISION CONSISTENT WITH THIS PRINCIPLE AND NEED FOR QUANTITATIVE CEILING.

12. FOLLOWING ABOVE REVIEW, DISCUSSION RETURNED TO REPROCESSING ISSUE. US REPS INFORMED ETEMAD THAT, AS ALREADY NOTED, WE WERE PREPARED TO SEPARATE OUT LOW ENRICHED URANIUM FABRICATION IN ORDER TO NARROW ISSUE, AND THAT WE WERE PREPARED TO OFFER  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENT DRAFT, NUCLEAR ENERGY, SCIENTIFIC COOPERATION, GOVERNMENT REACTIONS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE099526  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** IO/SCT MR CAVANAUGH  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** D750150-1075  
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**Office:** ORIGIN IO  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:** ANOMALY  
**Review Date:** 07 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 APR 2003 by BoyleJA>; APPROVED <16 SEP 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** TECH, IR, US, USIRJC  
**To:** n/a INFO IAEA VIENNA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006